

# DFA Bosses at Fancy Maine 'Lobsterfest'

by Pete Hardin

Dairy Farmers of America (DFA) has devolved into lobsters vs. hot dogs: lobster for the leaders, and hot dogs for the members.

DFA's senior executives and corporate directors recently enjoyed a posh "retreat" on the Maine coast in late July that lasted almost a week ... right after DFA members in Louisiana and Tennessee received settlement checks for June 2005 milk deliveries that showed payments of \$1.61 and \$1.30 per cwt., respectively, **below the prevailing federal milk order statistical uniform prices.** (These deducts do not include any hauling costs.)

Contrast the "Lobsterfest" for DFA's big-wigs, at a total cost of untold hundreds of thousands of dollars, to DFA bleeding massive amounts of revenue from members' milk checks because of marketing losses, and directives from creditors to building liquidity for DFA's unstable financial condition.

For most of the week starting July 25, the corporate directors of DFA, along with senior management, suffered a long-range planning "retreat" at the posh, \$400/night Samoset Resort Hotel near Rockport, Maine. (Of course, we're sure the 100 or so DFA and DMS attendees got a bit of a break off the \$400 room rate!)

The Samoset—a 230-acre resort right on the Atlantic Ocean—is described on its Web site as, "Cradled between lush green hills and the blue waters of the Penobscot Bay ... the 230 acre Oceanside resort offers championship golf, four-diamond dining, luxurious guest rooms and first class amenities."

To check out further details of the site of DFA's gala corporate retreat, visit the Samoset Web site: [www.samosetresort.com](http://www.samosetresort.com)

This fancy excursion was hilariously revealed by syndicated columnist Alan Guebert in his "Farm and Food File" that appears in more than 75 newspapers in North America. Guebert conservatively estimated costs of the DFA extravaganza at around \$250,000. He included lodging, meals, travel expenses, per diem payments to directors, etc., to arrive at his figures. Guebert, a tough-as-nails, independent farm reporter, grew up milking cows on his father's dairy farm in southern Illinois. Guebert knows agricultural cooperative excesses when he uncovers them.

The fancy corporate retreat to the Samoset Resort Hotel followed by only days a warning to the corporate executive committee by newly anointed DFA President and Chief Operating Officer Rick Smith that DFA's finances are in dire shape.

## DFA \$ down on southern dairy farms

Meanwhile in the Southeast, DFA's members' milk checks are in agony. The Southeast has historically been a locale where DFA uses its control of raw

milk to steal unexplained money from producers' milk checks. This grand larceny has gone on for more than a decade. Inadequate payment is a key reason why milk production in the Southeast is in rapid decline (as the region's population grows).

DFA members in the Southeast have been beaten into submission by a decade of low payments.

In Louisiana, June 2005 milk payments by DFA to members totaled \$1.61/cwt. **BELOW** the prevailing Order 7 uniform price. This underpayment does not include any expenses for milk hauling or stop-charges. Losses are compounded by the horrible performance of the regional fluid milk "super pool"—the Southern Marketing Agency (basically controlled by DFA).

SMA has drained revenue from dairy farmers in southeastern states by "pooling" many farms in places like Indiana, West Texas, and eastern New Mexico. That "pooling" hurts local farmers' milk revenues in several ways, by:

- Reducing Class I percentages in the Southeast milk order through pooling of large, distant farms' milk,
- Payment of premiums to large farmers (such as a reported \$.50/cwt. premium to producers who fill one or more tankers of milk per day).
- Undue subsidies and costs for hauling distant milk.

Meanwhile, DFA members in Tennessee received \$1.30/cwt. under the Order 5 uniform price for June 2005 milk (not including hauling costs). DFA members in Tennessee will be pleased to know Ron Reiter (who heads milk procurement in the region) returned from the "Lobsterfest" to announce that no more DFA members could leave the co-op and sell their milk as non-members to Dairy Marketing Services (DMS—a DFA joint venture). DMS producers are at least paid the blend price.

## Lobster vs. hot dogs

Excess costs be darned. At a time when the co-op's creditors are demanding DFA take more money from members' milk checks to build liquidity, DFA's leadership operates in complete contrast to the damage the co-op's poor business performance is causing many member producers.

## Milk Production Failing to Keep Pace

by John Bunting

Nowhere can be found a conventional dairy expert who has not made an all-knowing, clucking sound over the June 2005 milk production report. Cheddar prices at the Chicago Mercantile Exchange have fallen dramatically.

Look at the six-month picture, from January through June. Compare with other years, and a different picture begins to emerge.

Astute observers will note milk production must increase with population growth. Take 2001, a year of decreased milk production. The U.S. population was 285.321 million in 2001. Per-capita consumption of dairy products was 586.5 pounds per person in 2001. Population grows at about 1 percent a year. Additionally, growth in per capita cheese consumption has increased overall dairy consumption.

So if all factors hold true today, the increase from 2001 to 2005 should be somewhere near 7 percent. It is not. It is 5.8 percent.

Imports of dairy products in the period from

## Big 'Reblends' for DFA Members in Southeast

June 2005 saw Dairy Farmers of America take quite a bite out of Southeast members' milk checks for unexplained marketing losses.

Sources say that in Louisiana, DFA hit members with a reblend of \$1.61/cwt. below the prevailing federal milk order statistical uniform price.

In Tennessee, DFA paid members about \$1.30/cwt. below the prevailing federal order statistical uniform price.

Those reblends do not include any fees for milk hauling, stop charges, promotional fees or co-op dues.

Why is DFA losing so much money in the Southeast? Because the Southern Marketing Agency (SMA)—a regional "super pool" of co-ops—has failed to charge enough money to cover all costs of serving the market. SMA's costs are exorbitant and unreasonable.

Curiously, in a recent meeting, DFA's newly installed head of operations in the Southeast, Jim Hahn, blamed low milk production per cow in the Deep South for the high level of marketing expenses incurred by the co-op. That's bunk. DFA's reblends have stolen hundreds of millions of dollars from Southeast producers over the past decade. DFA—and its related marketing agencies—are the greatest inefficiency ever seen in the U.S. dairy industry.

DFA members ought to demand a complete cost accounting from their directors of the co-op's Maine "Lobsterfest," which sadly symbolizes the slippery slope down which DFA is sliding. The only "long range planning" that DFA senior executives and corporate directors should be doing is for The Crash.

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## The Milkweed

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## Tight Commodity Picture

Continued from page 1

June 2005 was a strong milk production month, and USDA's totals for overall cheese production were strong. Inventories of butter and nonfat dry milk are also very low. (See commodity analysis, page 12.)

It's a strange world of U.S. farm commodities. Cheese prices look dramatically understated. Prices

## January - June Milk Production

(million lbs.)

1996	78,575
1997	79,433
1998	79,908
1999	82,458
2000	85,719
2001	83,935
2002	86,574
2003	87,034
2004	86,583
2005	88,875

Source: USDA

2001 to 2005 rose 18.3 percent. There is no mass build up of NFD stock – no sales to the CCC.

In the final analysis it is hard to think the production numbers for 2005 are high.

for corn and soybeans keep falling at CBOT, despite ravages of drought and dry weather. In the energy pipeline, higher prices for crude oil lock in higher energy costs for American industry and consumers.

What's ahead for dairy? You'll have to make your own decisions. All we can offer is that commodity Cheddar prices at CME appear dramatically understated, due to what's coming because of weather, grain and energy realities. Buckle up!